

The Aberhart Proposals

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*An Analysis of the
Scheme offered
Alberta in the name
of Social Credit*

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The Hanna Herald is indebted to Mr. W. M. Davidson, of Victoria, B.C., for permission to publish his series of eighteen articles on "The Social Credit Proposals," which series has previously been published in daily instalments by the Lethbridge Herald, Calgary Herald and Edmonton Bulletin.

Mr. Davidson, a former member of the Alberta legislature, owned and edited The Calgary Albertan up until a few years ago, when he retired to take up residence at Victoria, B.C., disposing of his Calgary newspaper interests to Mr. G. M. Bell.

During his years of public service as editor and owner of Calgary's morning newspaper, Mr. Davidson won the admiration of countless friends for his consistent fearlessness and his refusal at all times to sacrifice principle to expediency. Mr. Davidson possesses a keen, analytical mind and his sound judgment has, for more than a quarter-century, proved of incalculable benefit to this province.

Mr. Davidson knows Alberta probably as well as any other living individual and, while not now a resident of this province, his analysis of, and opinions on, the Aberhart social credit proposals should be all the more impressive, in that they arise from a detached point of view unaffected by the prevailing emotional prejudices and sentiment manifest throughout Alberta these days.

Mr. Davidson's analysis of the Aberhart scheme will enable any intelligent citizen to arrive at a more reasonable conclusion as to what may be expected from the new political party seeking power in this province.

In publishing this series complete in one issue, The Hanna Herald has gone to considerable expense, but this is cheerfully undertaken in the knowledge that a public service is being rendered by presenting this well-written, moderate toned, wealth of informative criticism in a form convenient for reference and review by all Albertans who are susceptible to logical argument.

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ARTICLE I

In considering the Aberhart plan of social credit the first questions that naturally arise are, the why of it, the intention of it, and the what of it. The first question is easily answered. Alberta, like the rest of the world is in a condition of unusual and serious depression and people in large numbers are unable to maintain themselves and are living in great discomfort. The situation is complicated by the fact that not only is there no dearth of goods—food, clothing, necessities and luxuries, but on the other hand there is a surfeit of them and thus we have the abnormal situation of poverty in the midst of abundance.

The aim of the social credit party and students of economy and affairs everywhere, is to remedy this irregular and unfortunate situation by a wider distribution of the goods among the people. The need of such adjustment cannot be questioned, and thus far there can be no difference of opinion.

One of the schemes for making this adjustment in Alberta is known as the Aberhart plan, the analysis of which is the reason for these articles.

In describing the plan I find it necessary, as far as possible to confine myself to the official program of the social credit party as adopted at Calgary and confirmed with one trifling exception at the convention in Edmonton. This skeleton, however, must be supplemented more or less by statements of the leader. The official program made pronouncements on many subjects of interest and importance, but that which is fundamental to the social credit plan is contained in substance in three clauses. I shall take them in order of their importance and not in the order they appeared on the program.

(b) The distribution of purchasing power to bona fide citizens by means of basic dividends sufficient to secure the bare necessities of food, clothing and shelter.

The public interprets this pronouncement as a promise of a subsidy of \$25 a month for every Alberta adult year after year. Such an out-

000,000 annually, a sum nearly ten times as great as the annual revenue of the province, and almost as much as the entire provincial debt.

(c) The establishment of a just price on all goods and services and the regulation of price spread on all goods sold or transferred within the bounds of the province.

This would mean the end of the competitive system for the province and the substitution of a bureaucratic control of prices and services.

(a) The cessation of borrowing from outside sources and the creation of our own credit, thus gradually eliminating interest charges and retaining our own purchasing power.

There is also a reference in one clause to what is called production loans and a definite promise of interest-free loans to municipalities and individuals having mortgages. This is lay would involve the raising of \$125, interpreted by many as the taking over of the municipal loans and an advance of \$1,500 to all farmers. The total of these vast subsidies is difficult to appraise, but it is well within bounds to estimate them at an even larger sum than for the basic dividends.

The most casual consideration of this program must lead to the conclusion that it is the vastest undertaking ever placed before the people of this or any other province. Among other things it involves:

(1) An economic revolution, introducing a new system of doing business, never tried in its entirety in any country in the world.

(2) That when such plan has been tried in part by other countries it has not met with success.

(3) That if such vast sums are met out of taxes, Alberta will be the most heavily taxed province in Canada—one of the most heavily taxed provinces or districts in the world.

(4) The only alternative to taxation would be issuing printing-press money, a perilous device which led many European nations to economic trouble if not disaster.

(5) That it is sanctioned by no

public man of eminence, or any student of affairs or economics of recognized standing.

(6) That if such an experiment were attempted and failed it would plunge the province into endless trouble approaching disaster.

I am not suggesting that the plan be rejected off hand because it is revolutionary, untested, unblest or dangerous, but I am asking that because of the perilous nature of the experiment, the fullest details of the plan should be placed before those who have to pass them.

How is the money to be raised? If by taxation in the ordinary fashion, how can it be done, when now the income is not much more than ten per cent of the proposed basic dividends? If by special taxation upon certain goods, how can the cost of living be kept within bounds? If by printing press money, how can it be issued and how can ruinous inflation be prevented? Has a just price or any set price ever been maintained in any but countries under Communist or Fascist rule? How can a just price be placed upon a farmer's horses and grain, the wages of printers or reporters, or carpenters,

or coal miners or upon goods brought from all quarters of the world?

These are only a few of the fundamental questions that must be known accurately and conclusively before one can pass judgment on the plan. The official program has no information and the statement of the advocates are misleading and contradictory. They refuse to furnish a detailed plan until the party is placed in full control of the entire affairs of the province.

I shall refer later in greater detail to matters raised in this article, but in this first one, consider the comment that the plan is obscure and vague, with insufficient information.

"A shrewd house-wife buying a washing machine, or a farmer getting a plow, will insist upon ten times the information about the detail of the machinery as the social credit party proposes to give us in overturning the existing methods and substituting a perilous experiment at a critical period in our history," is rather the extreme way one correspondent writes about it.

In the next article I shall consider the question of the constitutionality of the plan.

ARTICLE II

In my earlier article I arrived at the conclusion that the Aberhart plan was not sufficiently detailed to enable an elector to pass judgment upon it intelligently. This comment seems justified when one considers that the program means an economic revolution; that it involves an enormous expenditure making Alberta one of the most heavily taxed districts in the world; that the plan has never been tried in its entirety; that countries attempting any phase of the plan have met with failure; that it is favored by no statesman of repute or student of recognized worth, and that the vast experiment, if it does not succeed, will involve Alberta in enormous expense and possible ruin.

The second question to consider is the constitutionality of the program. Has any Canadian province the constitutional power to proceed with such an experiment? There should be little room for disagreement on this point, but there is a difference of opinion.

Certain constitutional authorities maintain that the province has no power to put any such program into operation. Mr. Aberhart, on the other hand, insists with much vigor that the province has such powers and adds that he has been advised by those who should know. He is not an authority on the constitution and, so far as I can learn has given the names of no authorities who have so advised him.

The Canadian constitution seems plain enough on this point. Clause 91 of the British North America Act which is the Canadian constitution sets out clearly the powers of the Dominion. It reads as follows:

The exclusive legislative authority of the Parliament of Canada extends to all matters within the classes of subjects next hereinafter enumerated.

Then follows 29 clauses among which are the following:

(2) Regulation of trade and commerce.

- (14) Currency and coinage.
- (15) Banking, incorporation of banks and issue of paper money.
- (16) Savings bank.
- (19) Interest.
- (20) Legal tender.

There is no definite reference to import duties, but court decisions have established that they were under exclusive jurisdiction of the federal government.

The Aberhart plan, as I interpret it, has to do with currency and coinage, trade and commerce, import duties, and possibly with other clauses already mentioned. Upon these subjects the province cannot lay a finger. Alberta has no more power to deal with any of these subjects or to experiment with many phases of the Aberhart plan than has the Calgary School Board or the Kiwanis Club or Mr. Aberhart in his private capacity.

The province cannot change the constitution or take upon itself any additional powers. The Dominion cannot delegate any of its power to the province if it is so desired, or by itself change the constitution.

I have read in Alberta newspapers harsh criticism from social credit supporters of the B.N.A., as if it were the emanation of the devil himself, but there it is. The worth of the constitution is not under discussion at this point, but I am not surprised that the framers of Confederation placed the power of currency and coinage and the control of trade and commerce under one federal authority. Federation would have been difficult, prob-

ably impossible, if each province had its separate currency, or if trade regulations were different in various parts of the Dominion.

The fact that Mr. Aberhart may give his non-negotiable securities a different name does not greatly change the situation. These securities, by whatever name they are called, serve the purpose of money and really are money. The fixing of the just price must surely be a matter coming under the clause of trade and commerce. The import duty on extra-provincial duties, suggested by some one, is surely an infringement upon the powers of the Dominion.

If there is the slightest doubt about it the question must be made clear, and some authority other than the leader of the party, or the authorities whose names he does not mention, produced to prove the contention. I am of the opinion that the constitution intrudes at many points, but I admit that my opinion is neither better nor worse than that of Mr. Aberhart, except that I have quoted the obstacles and am prepared to cite the authorities who confirm my opinion.

But this point is evident. Before Mr. Aberhart can ask with confidence the support of the electors of Alberta to place him or his party in office to inaugurate the plan, he should satisfy them beyond a doubt that the province has the constitutional right to embark on such a vast experiment. He has not done that as yet.

In the next article I shall consider "The Economic Basis of the Aberhart Plan."

ARTICLE III

In previous articles I arrived at the conclusion that the Aberhart plan, which involved an economic revolution of a kind, had been untried and unsanctioned, and was such a vast experiment for the province, was not sufficiently detailed to enable the ordinary elector to pass judgment on it intelligently. In a second article I pointed out that it was undoubtedly unconstitutional.

I shall refer in this article to the economic doctrine at the foundation

of the plan and consider the worth of the criticism that it is based on an economic fallacy. This seems like pompous and rather alarming terms for the ordinary person, unskilled in the jargon of economists, but I shall try not to be confusing. A minor criticism of all social credit plans is that they are all hard to understand, because the authors of them seem to be speaking in a different language, which many of us find difficult and uncertain.

The advocates of the plan, surveying the present situation of poverty in the

midst of plenty, find that the reason for the anomaly is insufficient purchasing power in the hands of the consumer, which in rough-and-ready language means that there is not enough money to go around. Their aim is to bridge the gap by increasing the purchasing power of the consumer.

They analyze purchases like this. When you buy anything, a suit of overalls, a pound of bacon or a pair of socks, your purchase includes two forms of payments, which they describe as A payments and B payments. The A payment in the purchase includes the wages, salaries and profits of the shop keeper, or firm selling you the goods. The B payment on the other hand includes the cost of the raw material, bank charges and other external costs. Up to that point there can be no great difference of opinion, although this division in this manner may cause surprise.

The next step is different. The social creditors proceed that all the A payments—the wages, salaries and profits of the shop keeper, and only those A payments return to purchasing power and on the other hand all the B payments included in the purchase are withdrawn from purchasing power. The result is very evident that purchasing power is always a jump behind—and usually a very long jump behind—the price of things to be bought. If that reasoning is correct purchasing power is not, never was, never will be, and can never be sufficient to permit the consumer to get all that is manufactured; there will never be money enough to go round; there always was a depression, and there always will be a depression, and always will be until some change is made. The cure, adds the diabolist, is to supplement these A payments which go into purchasing power by issuing other forms of purchasing power equal to the B payments and thus preserve the balance.

This is the fundamental principle at the base of the plan. Does it contain an economic fallacy? I believe it does.

Let us examine the simplest transaction. You buy a loaf of bread from the store paying eight cents for it. I am not an authority on bread prices. According to the social creditors you pay the shop keeper, let us say, two of the eight cents in A payments

which include his cost of handling, or his wages, salaries and profits, and the balance of six cents forms the B payments—the raw material—which do not go back into the “flow of purchasing power.”

Let us pursue the transaction further. The shop keeper got the bread from the baker for six cents, also making the combined A and B payments—two for A payments and the balance the B payment. This A payment which goes to the baker for his wages, salaries and profits goes back into the “flow of purchasing power,” leaving only four cents for the B payments—the raw material—which are withdrawn from the “flow of purchasing power.” In the same way the baker makes his purchase from the miller, paying four cents for his flour and materials, of which, let us say two cents are A payments for the miller’s wages, salaries and profits and the other two cents for his raw material. The A payments in this case, according to the social credit advocates, go into the “flow of purchasing power.” The transaction is not yet finished for the miller bought his raw material from the farmer for the other two cents, and all of the payment to the farmer is A payment. Now we find every cent of the purchase going back into “the flow of purchasing power,” and none being withdrawn.

This illustration may be over simplified so that it may be readily understood. Most transactions are more complicated, involving bank loans, deferred payments, replacement costs and such like, which make the consideration of the problem more confused but in the end all comes back to the simple problem just presented. There may be fluctuations in back credit from time to time, but in the long run the only portion of the purchase price which does not get back into purchasing power, is that which is destroyed or hoarded, and that is a very small percentage.

The capitalistic system may not be functioning properly, but the real cause of the trouble is not to be found in the irregularity in “the flow of purchasing power.” The diagnosis is not correct. The theory is based on a fallacy.

In the next article I shall consider the Aberhart plan cure for the ills.

ARTICLE IV

In previous articles I have demonstrated that the Aberhart plan, although involving an economic revolution, untried by other countries and unsanctioned by trustworthy authorities and a dangerous experiment, is too indefinite and vague for the well disposed elector to judge intelligently.

(2) That it is not constitutional.

(3) That it is based on an economic fallacy.

People are more concerned about the remedy than the nature of the disease. "Twenty-five dollars a month for every adult resident" has been the sensational slogan which has done more to give momentum to the movement than all the oratory, exhortation, writings and argumentation. If social credit can do that, let's have it, and at once and no questions asked, is the attitude of many who are impatient about further examination. The official program says nothing definitely about the \$25 a month, but the entire movement is built up on the slogan and no leader if in government control would be able to withstand the pressure for such a dividend, if he could possibly raise it.

The suggestion that we can and should solve our economic troubles by paying each other \$25 a month seems fantastic. If the plan provided equalization of incomes, a general levelling up or levelling down, a pooling of pay, it would create discussion but would be understandable. There is nothing of that in the Aberhart plan. There is no dividing of revenue, no attack on super-incomes, but merely a reaching out to somewhere and collecting a vast sum of money and then paying it out again to the same people from whom it had been collected.

There is but one question to be asked about this phase of the plan. Where is the money to be raised? I estimate that the total bank deposits, credit and everything else in the province of Alberta, amounts to not more than \$100,000,000. The total in all Canada at the last report was \$2,250,000,000, and Alberta has about 6 per cent of the total population and probably

not more than 5 per cent of the deposits. The "basic dividends" alone would amount to more than all the money of all descriptions, in all the banks of Alberta.

If Mr. Aberhart or anyone else can present a clear and definite plan for raising such a fund, without involving Alberta in a debt it cannot bear, or a tax rate which it cannot maintain, he should be made premier at once, without any opposition and no one would oppose him. If he can perform miracles of that kind he will not remain long in Alberta, but would be drafted to Ottawa, to London and every place else in the world.

There are only two conceivable methods of raising the sum, one by taxation, of borrowing, and the other by printing-press money and inflation. But if the people of Alberta by exhausting themselves to the utmost could raise that amount of money by taxation in order merely to distribute it to themselves, what would be gained by the expense and effort?

It is proposed that Alberta might raise this charge by placing a tax upon imports coming into the province. In the first place that is not within the powers of the province. In the second place it would make invalid the Ottawa pact and all other Canadian tariff treaties or arrangements. In the third place it would be an unbusiness-like experiment. Economists and public men usually agree that the depression is at least partly due to the unreasonable barriers set up against international trade. This plan would have sub-divided by tariff walls, which would make national trade difficult and continued Canadian union doubtful. Placing duties on goods coming into the province would result immediately in a more than corresponding increase in the cost of living.

Face the situation reasonably and squarely and the conclusion must be that Aberhart cannot increase its tax burdens or raise any considerable additional sum either by taxation or borrowing.

In the next article I shall discuss the question of printing-press money and inflation.

ARTICLE V

Upon the sale of goods, this unearned increment would go directly to the state for redistribution in the form of dividends. In these words Mr. Aberhart explains where the money is to come from to pay the basic dividends. In plain language it means that every adult resident is to get \$25 a month. This would mean an outlay of \$120,000,000. And then Alberta people will pay an enormous sales tax to raise the money.

In previous articles I have shown that the Aberhart plan of Social Credits—(1) although involving an economic revolution and untested and without recommendations, is vague and indefinite; (2) it is unconstitutional; (3) it is based on an economic fallacy and (4) it makes necessary the raising of an enormous amount of money which means greatly increased taxation or additional borrowing, or both.

I had intended to consider the perils of inflation in this article, but I have received a copy of Mr. Aberhart's official paper, with a signed letter by himself, answering in clear and definite language, the question which is perplexing so many and telling us where the money is to come from for the basic dividends, the \$25 a month for all adults in the province. I shall refer to that statement and postpone the question of inflation until a later article.

I admit that I have had some trouble in following Mr. Aberhart at times, which surprises and annoys me, because to his supporters he seems clear and convincing. On this occasion there is no confusion and I am able to understand him without difficulty.

"The supply of basic dividends, or where will the money come from?" he asks, and then answers clearly and concisely: "upon the sale of goods, this unearned increment would go directly to the state for redistribution in the form of dividends."

He explains here and in other references that this "unearned increment" is part of the usual selling price of goods. This is a very definite and plain statement, and means that the

basic dividends, according to the Aberhart plan, will be paid by a tax in the sale of goods—a sales tax.

Now we are getting somewhere. I sometimes fear that I have been writing in circles and getting mixed up in strange jargon which is confusing, but now we are on firm ground and can proceed from there.

In his recent article, Mr. Aberhart added that "it may be noted that this 'unearned increment' is not a tax on the primary producer."

When asked at the committee of the legislature "If the world price of wheat—the farmer is a primary producer—is 30 cents and the just price is 60 cents, how are you going to make up the extra 30 cents?" Mr. Aberhart replied, "The farmer will receive 60 cents and the 30 cents will be made up by a tax on imports."

Now again, I am certain that we are getting somewhere. I shall refer to the "unearned increment" at another time, but turning aside for the time from these confusing terms, the Aberhart plan is simple and plain in some phases at least. Here it is:—

To give each adult resident \$25 a month, and to raise the money out of sales tax, and to make other enormous expenditure and raise the money by a tax on imports into the province.

Is it all worth while? This enormous organization at great expense to supply residents credit for \$25 apiece a month, and then tax everything they buy, and much that they sell to meet the expenditure. It isn't correct to say that it is a plan of robbing Peter to pay Paul. It seems an ingenious way of robbing both Peter and Paul to pay Paul and Peter. To describe it as taking out of one pocket to put it in another, is not accurate either. It is taking out of one pocket with much effort, ceremony, demonstration and cost, then going through a series of gymnastics, a few handstands perhaps and putting what remains in the other pocket. It is not good business.

I am not certain that a sales tax is constitutional. Probably it is, I do know that it is a very objectionable tax, a burden on business, difficult to collect and unfair in its incidence. I

do know that a tax on imports into the province by the province is not only unconstitutional but would be the most unjust and unfair tax that could be imposed. I shall not discuss the academic question of free trade and protection for a nation, but most people

I am convinced, will agree that a vision of Canada subdivided by nine provincial tariff walls, with customs offices at every provincial port of entrance is alarming.

I shall refer to the question of inflation in the next article.

ARTICLE VI

Any large additional issue of currency, in whatever form, leads to inflation and enormous increase of prices, if not carefully safeguarded and controlled. What happened in European nations tells the story. There is danger of the most reckless inflation in the Aberhart plan.

In previous articles I have shown that the Aberhart plan (1), although revolutionary in some respects and untested and unrecommended, is vague and obscure; (2) unconstitutional; (3) based on economic fallacy; (4) involves crushing provincial taxation or impossible borrowing; (5) includes the sales tax and tax on imports into the province, both expensive and otherwise objectionable.

The collapse of the German economic system in 1923, due to reckless use of printing press money, and similar disasters in other European nations, for the same reason, are too well known and understood to make detailed description necessary. The German commercial organization was destroyed, most of the German merchants, farmers, professional men, ruined and millions of people reduced to misery and actually facing starvation. That is the most striking example of reckless issuance of money and the inflation which followed it.

The question of inflation is more or less involved when one comes to analyze it, and I am trying to steer clear of puzzling terms and involved economic complications if possible. We can assume without further inquiry that:

(1) Inflation follows an increase in the supply of money or credit without ordinary security.

(2) Any inflation leads to an increase in costs—all costs.

(3) Inflation on a wide scale and uncontrolled gets completely out of hand, disrupts business and ends in

disaster, with ruin to the nation and misery to the people.

Germany is the striking example. The dollar, worth five marks in normal times, was worth 46,000 marks on May 16, 1923; one month later, 120,000 marks; at the end of July 350,000, and on August 9, the enormous sum of 5,000,000 marks.

No Inflation Control

Will the Aberhart plan, if adopted in Alberta, lead to any such wild orgy of inflation? In a previous article I estimated that the total deposits in all the Alberta banks—cash, credit and everything—was not more than \$100,000,000. The Aberhart program, providing for an annual increase in currency of \$120,000,000 every year for basic dividends, and an equally large amount for interest-free loans, will lead to an exceedingly large and dangerous inflation. There is nothing in the plan to control the inflation.

It is true that the basic dividends—the \$25 a month for every adult—are to be paid in non-negotiable certificates, and not in cash. I assume that such restriction is a precaution to get past the Bank Act and not a method of controlling inflation. These non-negotiable certificates, although more inconvenient than real currency, will have the same economic effect in respect to inflation as if they were real money.

The experience of the State of Rhode Island, under conditions somewhat similar in some respects to that suggested for Alberta, is interesting and illuminating. Shortly after the revolution, the Rhode Island legislature decided to organize a paper bank with an issue of \$100,000,000. Certain rigid restrictions were imposed and farmers and merchants borrowing money had to pledge real estate in value double the amount of the sum borrowed.

The depreciation of this new money began literally with its issue. Every merchant in the state refused to receive it at its full value. The legislature accordingly passed a forcing act, imposing a fine of £100 and loss of rights as a freeman on any who refused to accept the specie as legal tender. Merchants refused to make any sales rather than accept the currency, some of them closing their shops and others resorting to barter. Money almost ceased to exist. "The chief cities of the state, Providence and Newport, presented a very remarkable spectacle. Half the shops were closed, and their streets animated only by angry and contentious men, blaming one another for the blight which had fallen on their business and industries."

A second, and more rigid act was passed, without avail. Then the legislature passed a test act, providing that every person should bind himself with an oath to support the bank and take the money at par. All persons refusing to take the oath were disfranchised. Captains were forbidden to go out of the state, lawyers to practise, and men to vote until they had taken the oath. The proposed act was sub-

mitted to the electors in plebiscite and almost unanimously rejected.

Money Dropped in Value

The money dropped in value until \$15 in this currency was worth only one coin dollar. The legislature repealed the act and fixed the value of the currency at the ratio of 15 to 1.

It is interesting to note further, that Rhode Island was in a better position to maintain the standard of its printing-press money than Alberta, under the proposed plan. Rhode Island had wider sovereignty, with the right to issue money, and legal power to enforce to circulation. Alberta has no such right either to issue money or power to enforce the acceptance of it. Also the depreciated currency of Rhode Island was backed by security of apparent value. In Alberta the currency has no such backing.

If the depreciated currency in Alberta should shrink no more than that of Rhode Island, the \$25 a month of basic dividends would amount to \$1.66.

The Aberhart plan provides for a large, uncontrolled inflation. If it is ever put into effect, there will be grave danger that Alberta will be added to the long list of wrecks, disasters from unlimited inflation.

ARTICLE VII

The Aberhart plan is dependent upon a scheme of price fixing such as has not been before tried successfully in any British country. It means arbitrary fixing of all prices and regimentation of business that is not only a near-impossibility but a dangerous experiment.

The fixing of what is called the just price on everything bought or sold is an essential part of the plan. Next to the slogan of \$25 a month for all, this part of the plan has created greatest interest and is open to greatest objection. The term is borrowed from the Douglas scheme, which adopts price fixing as a possible safeguard against too rapid inflation and as a method of circulating additional "purchasing power". The Aberhart plan does not provide for a reduction in prices as does the Douglas plan, and there is a wide difference between

the two programs in this respect.

Mr. Aberhart has revealed some of the details of price fixing. In computing the just price, he says the estimator must satisfy himself upon the following factors.

- (1) The cost of the raw material.
- (2) The cost of machine labor.
- (3) The cost of human labor.
- (4) Overhead charges for depreciation and insurance.
- (5) Handling charges.
- (6) A fixed commission for the producer, the wholesaler and the retailer.
- (7) The unearned increment.

The mere consideration of such a laborious and amazing undertaking makes any ordinary person, with any knowledge of business, tremble. Here are some of the things which it involves:

- (1) The fixing of the price of everything that comes into the province and is sold here.

(2) The fixing of the price of everything that goes out of the province.

(3) The prices of all goods produced and sold in the province.

(4) The fixing of the rate of wages for all artisans, and the scale of fees of all professional men and women.

(5) The rate to be paid for services of every kind.

The raw material of an article may come from Central America, Sweden or British India. The different parts may be transported from these places to England where by machine and human labor it may be turned into the finished article and shipped eventually to Alberta. There will have been human labor at every stage in the process and machine labor in most, as well as insurance, depreciation and handling charges at every turn.

A few weeks ago the Canadian government instructed the Canadian Tariff Board to make certain inquiries about the automobile industry. The tariff board is an efficiently organized body, trained to make such inquiries. Its scope is national and it has ready at hand much of the information needed and knows where it can get what it does not possess. The chairman of the commission estimates that the inquiry will take one year.

But by the Aberhart plan, a provincial commission, with limited powers, will set out to make inquiries not merely about the motor industry, but one thousand other items, all as intricate and involved. No commission or dozen commissions, limited by prov-

incial powers, could make all these inquiries that would be worth anything in the next quarter century.

Mr. Aberhart includes in his price factor, the item of "unearned increment". He explains unearned increment as "the value that accrues to goods produced, not because of their quality or intrinsic value, but by the demand that exists for them by the presence of customers."

I admit here and now, to one and all, humbly and submissively that I do not know what that means. I do know what "unearned increment" means to the single-taxers, but there is nothing in the price of goods that corresponds to unearned increment in the price of land. But even if there is such a thing despite my obtuseness, I defy any person to place a just price upon it. I refer particularly to this factor to show how difficult, if not impossible, it would be to establish a just price, which the social credit advocates regard as essential.

But why do they regard it as essential? Why such labor and how does it link up with the social credit plan? The answer is obvious. The just price is necessary for it is to be the ground work for the taxation machinery necessary for the basic dividends.

I do not believe Alberta electors have given sufficient consideration to this phase of the scheme. It means the regimentation by the Alberta government of all commerce, industry and dominating interference in all business. I shall consider another phase of this subject in my next article.

ARTICLE VIII

Price fixing, based on the Aberhart system of valuation, would lead to gross favoritism and eventually to dishonesty and graft, and with bureaucratic interference necessary would make business difficult and expensive and eventually impossible.

Many Alberta people do not understand that the Aberhart plan provides for a regimentation of industry and commerce through the scheme of price fixing, and an interference in and domination of bus-

iness to an extent never attempted in recent times in any British country. The plan is revolutionary in the sense that it abandons the business system of competition, with supply and demand in full swing, a system in operation in all except Communist and Fascist countries. History is filled with unsuccessful attempts by despotic monarchs and unwise communities to fix prices, but never with success and usually with disaster.

Price Fixing Extraordinary

It is necessary to consider a few phases of the Aberhart plan

1 The government, according to the Aberhart plan, will fix the price of everything coming into the province. I shall not consider at this place whether the province has such powers. The merchant will have no say in the buying price or selling price of his own goods. The merchandizing will to a great extent be taken out of the hands of the merchant and placed in the hands of Mr. Aberhart's experts, the merchant being permitted to wait on the customers and meet the monthly losses. If the merchant objects to this arrangement, off will go his head and his license will be cancelled and, if necessary, the government will take over the stores entirely, according to a warning given by Mr. Aberhart in one of his written statements.

2 Everything sold for export or for consumption in the province must go through the hands of the government to be priced. If the farmer sells a carload of wheat or a band of horses, or the housewife takes a bunch of turkeys to market, all must be appraised by the government before sold.

3 The government, it follows from the fundamental basis of the plan so far made public, will fix all wages for all artisans, skilled and unskilled—printers, coal miners, typists and housemaids, editors and ors and artists. I know something of the negotiations for the wage scale of printers. It involves the most detailed knowledge of the printing business, the newspaper business, the condition of business in general, the cost of living and, more than anything else, good relations and understanding between employer and employe and give and take on both sides. Under the Aberhart plan the government will step in and neither employer nor employe will have anything to say in the final arrangements. The school board will get a mandate about the teacher's salaries

and the congregation instruction about the salary of the minister.

Some may surmise that such a picture is an exaggeration, because no sensible government would attempt tasks almost impossible. It is no exaggeration.

Confused and Dangerous

Here is another fundamental feature of the plan which makes it all much more confusing and dangerous. The prices are to be "just" as the government interprets that word, but will not necessarily be uniform. Mr. Aberhart has a new basis of valuation, including such factors as machine labor, human labor and that unknown, undetermined and undeterminable item called "unearned increment," and other features hard to estimate. By this new basis a farmer shipping wheat grading No 1, because of certain factors in his production or the organization of his farm, or some twist in the unearned increment, may get less per bushel for his product than a nearby farmer shipping wheat grading No 3. A farmer selling high grade cattle fitted in economical manner may get a lower price than a farmer with inferior cattle, because the latter was less economical in his methods. There will be no uniformity in prices in respect to time place or matter.

This will have two very obvious results

1 It will lead to the widest opportunity for favoritism and dishonesty. The government valuator will be supreme, with power to make or break any merchant or farmer in the province.

2 It will make the transaction of business not only difficult and expensive but impossible. The fixing of prices for an entire province at any time, even under existing rules, with uniform conditions, is difficult. Under the Aberhart plan it would mean bureaucratic interference which would make industry and commerce in Alberta actually impossible.

In the next article I shall consider the effect of the Aberhart plan on the Alberta producer.

ARTICLE IX

The Alberta farmer, under the Aberhart plan, would have to bear the brunt of the additional sales tax and super-tariff imposition, as well as having a nip taken from his grain cheque and in addition suffer from alarming limitation of his markets.

The welfare of Alberta depends so greatly on the prosperity of the farmer than any legislative program which is to his advantage would be accepted, even with certain disadvantages in other respects. The social credit advocates recognize this by special though indefinite promises of assistance. In addition to "basic dividends" for the farmer, his wife and adult employees, there is some suggestion about interest-free loans. The promise is very general with little detail or description.

If a stranger should come to an Alberta farmer, offering an unheard-of price for cattle, but admitting that he was not skilled in the cattle industry, had never bought cattle before, had no money, no backing and no recommendations, but reiterating that he could pay the high price because of some scheme, the details of which he declined to divulge, he would not likely do much business with many Alberta farmers.

Despite all that is being said about the "blood stream of the state" "additional purchasing power," "cultural heritage," "unearned increment", and other such phrases difficult to comprehend, no one is quite so naive as to believe that any government can raise such enormous sums as \$120,000,000 a year out of the clouds, or by picking it off trees. I have previously explained from Mr. Aberhart's own statements that he plans to meet these sums by a sales tax, manipulated through his just price, and by a special super tariff. I may now add that he also proposes a special extraordinary tax by taking a nip out of the farmer's wheat cheque. These three taxes all extraordinary and unusual would be a special burden to the Alberta farmer.

(1) The sales tax and super-tariff would greatly increase the price of everything the farmer bought.

The entire proposal is so vague that it is impossible to make any definite estimates as to how much. The added costs from these increased prices would go far to offset the "basic dividends" and in many cases on many farms, doubtless exceed them. It might be that some hermit farmer, denying himself necessary purchases, might be able to make the bonus square with the added taxation, but that would be an exceptional case. What would it profit a farmer to get basic dividends and then pay more than their yield in additional costs?

(2) That is not all. Grain growers know the difficulties of marketing their wheat, because of competition from other countries. Under the new system the Alberta grain growers would start in the race with the handicap of producing in one of the most heavily taxed districts in the world.

(3) That is not all. An Alberta provincial tariff, which Mr. Aberhart plans to impose, would further limit his markets. I doubt if Britain, the greatest of all the wheat consumers, now looking keenly on Canadian markets, would accept an added tariff against British goods without retaliation. That retaliation would likely come in the form of exclusion or restriction of our only large export—Alberta wheat.

(4) It is certain that all other provinces would retaliate against any for of Alberta tariff. British Columbia producers would welcome the chance of excluding Alberta meat and dairy products and other Alberta products.

(5) Another special tax to be placed on the Alberta farmer is mentioned in a recent broadcast of the leader himself. In answer to a letter he replied to the query "If the world price of wheat is one dollar a bushel, and the just price is sixty cents, what will the farmer get?"

Mr. Aberhart replied: "He will receive 60 cents and then an additional amount, but not all the amount," in

other words, a special tax on wheat, such as has never been imposed in Alberta or in any other province.

That is rather indefinite, but important to the wheat grower. Here is another statement by Mr. Aberhart along the same line. In explaining his plan for just price he said: "The elimination of exorbitant profits collected by producers under the present system through exploitation of social credits of society as a whole would enable the just price to be lower than the prices of today."

As the province cannot eliminate the profits of producers from abroad, the exorbitant exploitation to be eliminated must be from the produce

of the Alberta farmers, coal operators, lumbermen and fishermen.

The effect of this plan upon the Alberta farmer will be to increase his production costs to the advantage of his competitors, to endanger his already narrowing markets, to limit his Canadian market and to add a new tax upon his wheat.

It is unnecessary to add that other Alberta producers will meet similar difficulties. The mine operators, in addition to producing in a highly-taxed province, would soon find their extra provincial trade gone, a retaliation of neighboring provinces against Alberta's proposed import levy.

In the next article I shall refer to the effect of the plan upon Alberta consumers.

ARTICLE X

The Alberta consumer will be forced to pay every cent of the \$120,000,000 of basic dividends under the Aberhart plan by extra taxation and in addition meet the enormous cost of the experiment with an army of officials issuing and checking the 700,000 monthly certificates and setting the just price on everything bought and sold in the province. The only persons who could keep added taxation within the basic dividends would be (1) persons living much outside of the province, (2) persons who smuggled their supplies from neighboring provinces, or (3) certain idle persons with no other ambition in life than to draw the monthly payment.

As every Alberta resident whether farmer, city dweller, capitalist, artisan, professional person, manufacturer or housewife is a consumer, it may be advisable before considering the effect of the plan to restate and consider the basic principle of the scheme. It is not unusual for the advocates to meet criticism with the reply that the critic does not understand the plan. For that reason let us analyze it, step by step.

The First Step

The fundamental feature of the plan is the issuance of basic dividends, which we are assured will begin at \$25 a month, but may be increased as the

recipient becomes accustomed to them. These payments are not to be issued in currency, as we know it, but in credit to be recorded in the State Credit House. So far there can be no misunderstanding. Now the next step.

The holder of the credit—every Alberta adult resident—then secures in exchange for the recorded entry, non-negotiable certificates, which he takes to the shops and gets goods. That, too, is clear and can lead to no misunderstanding.

The shopkeeper must supply goods in exchange for the certificates or have trouble with the government. But how does the shopkeeper get remunerated for the goods, which he has to pay for? If the shopkeeper would or could supply the goods in exchange for the certificate without any more effort, ceremony or expense, everything would be solved. No one suggests that he do that, for even under this program it is impossible to give something for nothing, and survive for any length of time.

The Aberhart answer—or answers—are vague and contradictory. In a signed article in his paper on May 3, Mr. Aberhart explained that the payment will come from "the unearned increment" which is inherent in the goods, which will be squeezed out in making the just price. "The unearned

increment," he says, "would be paid to the state THROUGH THE PRODUCERS and would at once be redistributed in the form of basic dividends.

That is definite enough. The state gets the money through the Alberta producers, the government not being able to interfere with extra-provincial producers. That means the state pays through levies of some kind on farmers, oil producers, coal operators and other producers.

A Different Statement

One week later in a signed letter in the same paper Mr. Aberhart again referring to unearned increment had a different conclusion. "Upon the sale of goods," he wrote, "this unearned increment would go directly to the state for redistribution in the form of dividends. It should be noted that the unearned increment is not a tax imposed on the primary producer. It is a feature of the just selling price over and above the fixed commission guaranteed to producer, and wholesaler and retailer IT IS PAID BY THE CONSUMER who purchases the goods, but who is made able to do so through the state returning the unearned increment to him in the form of basic dividends."

Mr. Aberhart's two answers have this much in common. The state has to pay. Whether the producers pay in the first instance, as I take it in the letter of May 3, or the consumer as he says on May 10, whatever the taxation, the consumer will pay in the end.

There can be no misunderstanding these statements. The new taxation may not be just, or remunerative, or even constitutional, but if ever imposed will have to be sufficient, not merely to meet every cent of the basic dividends, but in addition the enormous cost of issuing, checking and accounting for 700,000 Alberta people, fixing the just price and generally regimenting all Alberta business and building a tariff wall round the province. It will be an evil day for the consumer.

The only persons who could possibly keep the added taxation down to \$25 a month would be those who spend much of the year outside of the province, or who smuggle their supplies from the neighboring provinces, or inactive idlers with no purpose in life other than to draw the subsidies.

In my next article I shall consider the effect of the plan on manufacturers, merchants and workmen.

ARTICLE XI

The Aberhart plan would sound the death knell to all manufacturing in Alberta. The mere threat of it has led prospective investors to pass on without consideration. Not only would no manufacturing come, but, because of the new taxation, the government interference in business and curtailment of markets, following any attempted import tax, the well established industries, with large pay rolls could not long survive.

Mr. Aberhart now finds that the unearned increment, which is the Santa Claus which is to supply the basic dividends, is to be found in profits in business. On May 3, he said the unearned increment would be paid by the producer—the grain grower, coal operator and such. On May 10 he said it would not be paid by the producer but by the consumer in something like a sales tax. On May 17 his paper gave

a definite illustration of the manner in which the unearned increment would come from the profits of the manufacturer.

Statement Analyzed

The paper gives as an example of the nature and value of the unearned increment, the details of the price of gasoline. As this is a definite illustration, I regard it as a very valuable and informing statement, so let us analyze it. I quote the figures as the paper gives them.

Cost of gasoline at the well	6c
Service station costs	3c
Government tax	7c
Balance for refiner	16c
Total cost of gasoline	32c

"A large portion of that 16cts. is unearned increment," says the paper. "The refinery has been getting a juicy dividend all these years and under

social credit would provide basic dividends for others."

Now we are on firm ground and an analysis of these figures should get us somewhere.

The total consumption of gasoline in Alberta is about 20,000,000 gallons a year. Less than one half or about 8,000,000 are produced and refined in Alberta.

Most of the 8,000,000 but not all, is refined by one concern.

The refinery according to the statement, gets 16 cents for refining the product, delivering to service stations, office and other expenses, taxation, overhead and such like. I do not know what proportion of the 16 cents it clears after meeting all these charges, but I do know that if it makes four cents margin it is doing immeasurably better than any other large manufacturer in Alberta. On this basis the total profit—of which the unearned increment would be only a portion—would amount to about \$320,000 for the year, and I believe that estimate exorbitant. But \$320,000 would not be enough to pay basic dividends, at the lowest rating FOR ONE DAY.

I am not informed of the details of this particular concern. I do know that the Burns Company, one of the largest manufacturers in Alberta, is unable to pay full interest on its mortgage bonds and no interest at all on preferred or other stock that it has not been able to do so for several years and does not expect to do so for many years to come. The Calgary Gas Company as Calgary people know, makes only a limited profit. The company owning the Edmonton source has no greater margin. I am not so well in-

formed about the milling companies, but I do know that some Canadian milling companies are in bankruptcy and I doubt if any milling company is making profits of any kind.

Not Enough For Week

If Mr. Aberhart commandeers every cent of profit of all manufacturers in Alberta for a year, he would not realize enough to pay his basic dividends for one week. What will he do for the other 51 weeks.

Here is another point to consider. Alberta flour mills are in keen competition with mills in other parts of Canada. How long would they be able to keep going, with their profits, if they had any, commandeered by the government, the prices of what they bought and sold directed and fixed by the government and their markets limited to Alberta, as would be the case as soon as the import tax was applied?

Alberta is not too well situated for manufacturing. It is a long distance from its market. Certain institutions near to the raw material like packing plants, flour mills and oil refineries have been able to build industries and supply work for many men. We were pleased enough when they established themselves in the province. We should not drive them out.

With increased cost of manufacturing with additional taxation with price fixing and government interference on every hand, with the restrictions in the markets, manufacturers now in Alberta would be unable to continue.

In the next article I shall refer to the effect of the plan upon the workers and merchants in the province.

ARTICLE XII

No Labor man loyal to the principles of his class, can accept the Aberhart plan because of the Fascist principle of government price fixing included in it. Labor men wisely fear inflation and must recognize as a sequence to the plan a serious curtailment of labor. The only person who would be able to keep his increased expenditure within the basic dividends would be the man who did not work.

Alberta merchants would become

the pack-horse drudges with their entire business life in the hands of a bureaucratic administration with the power of economic life and death.

I am confident that Labor readers will understand these articles, because most of them make an intensive study of practical economics and are not beguiled by any will-o-wisp fantasies. For that reason I shall refer to the perils in the plan to them in briefest manner.

Perils To Labor

1 Labor suffers most of all either in inflation or deflation. Wages are always the last to rise when prices go up and the first to fall when prices fall. The ills of the Aberhart plan, which is inflationary in fact, involving increased price for goods, would be felt first by labor, with wages increasing less rapidly than the prices.

The basic dividends would not make up for this readjustment of wages to prices. The person who would benefit by the basic dividend would be the person who did not work.

2 The social credit party neither here nor any place else has shown any interest in or knowledge of the problems of labor. The official program of the Aberhart party, beyond a superficial reference to unemployment, has no mention of labor affairs.

3 In a previous article I showed how the plan would not only bar the coming of any new industries to the province, but would eventually destroy the established industries with serious curtailment of labor.

4 The social credit plan may be something more than a mere device to bolster up the more objectionable phases of capitalism, as the British Labor leaders declare, but there is nothing in the Aberhart plan to indicate that such a statement is an exaggeration.

5 Unless I am mistaken in the vigor, intelligence and enterprise of Alberta Labor men, they will fight to the last ditch and with every ounce of their strength, the Fascist plan of having the Alberta government fix wages.

Perils to Merchants

Under the Aberhart plan the Alberta merchants would place their fate in the hands of the government, abandoning all economic initiative and independence, to live or die, to be licensed or made outcast, to prosper or disappear, without protest or redress. I shall refer to some of the objections.

1 According to the plan, all merchants are to be licensed and those who sit in the seats of the mighty

may cancel the merchant's license at will and utterly destroy him. That is a despotic power much more drastic than any British nation ever practiced even in war time.

2 If the merchants in any large number make objections—this probably would include criticism—the government, Mr. Aberhart says rather belligerently, would throw them all out and go into the mercantile business itself.

3 The existence of such despotic powers of the government would rob merchants of all economic independence and initiative and make them mere employees of the administration.

4 The merchant would have no say in the wages that he would pay his own employe for transacting his own business.

5 Merchants would have to bear the brunt of the inflation and accept at par the non-negotiable certificates at whatever rate the government might declare.

6 The government would set prices both going and coming. The interesting and responsible work of merchants would be taken over by the government and away from the merchant.

7 If a merchant by his own effort made a larger than usual profit, it would be taken from him under unearned increment levy. If he had an unexpected loss, he would not be recompensed.

8 The just price to be set by the government would not necessarily be the uniform price. The price set for one merchant might be different from the price set for a competing merchant across the street for the same goods. It would depend on the whim of some official.

9 With such powers the government, or even an under official would be able to advance or destroy a merchant at any time, by withholding or cancelling his license or rigging the prices of his goods.

10 Such system of price fixing and power over business by license, would throw wide open the opportunity for favoritism and graft. There could be little check.

11 Because of enormous taxation needed for basic dividends, mer-

chants would find themselves unable to meet the competition of catalogue houses outside of the province, not so hindered.

12 The old relations between merchants and supply houses would disappear. No outside manufacturer

or wholesaler could give credit accommodation to a merchant who had no firmer grip of his own business. Only cash business could be undertaken.

In the next article I shall analyze the unearned increment.

ARTICLE XIII

The total unearned increment from all businesses in Alberta for one year would not supply money to finance the proposed Aberhart basic dividends for 24 hours. It is from the unearned increment that Mr. Aberhart plans to get the countless millions to make the scheme possible. I make this definite assertion after closest analysis of the proposed levy and careful estimate of the source of revenue. I invite any social credit advocate to refute it. A man who would wager that the yield from unearned increment would not be enough for two days of basic dividends would be a poor sportsman because he would be betting on a sure thing.

From the beginning I have tried to discover the reason for the wide difference between the estimates and conclusions of Mr. Aberhart and myself. I realized if I could learn clearly how he planned to raise money for the basic dividends and the other enormous expenditure, I could soon reach a judgment satisfying to myself and possibly to most of my readers.

I have secured the information. The money is to come from a levy on the unearned increment in goods. Now let us tarry for a minute for this is very important. If we can isolate this unearned increment from the luxurious verbiage and unnecessary terminology in which it is surrounded, so that we can look at it, weigh it, appraise it, measure it, and look at it face to face, we would be making progress.

Unearned increment in goods is a discovery by Mr. Aberhart and does not seem to be considered by Major Douglas. Single-taxers made the term unearned increment on land popular toward the end of the last century. Vacant property in the heart of a rapidly expanding city, worth \$1,000 in 1850, had become worth \$1,000,000 in 1890. The increased value, the single-taxers argued, being due to the ex-

pansion of the community in general and not at all to the efforts of the owner, should go to the city and not to the man who merely held it out of use.

Not Important Factor

That is unearned increment in land. There is less unearned increment in goods, because goods, being moveable, can be taken to their market. There may be increment in food in time of famine or in a restricted market, and such articles as diamonds or antiques increase in value over a period of years. But in these days of decreasing values in a community where there is surplus rather than famine in food, and no scarcity of goods for sale, and no great demand for diamonds or antiques, the element is not an important factor.

Such is the unearned increment in goods and as a revenue producer it is really non-existent. Mr. Aberhart does not mean that at all. Here is his explanation. In prices, he says, there are seven factors, the first five of which are raw materials, machine and human labor, overhead, depreciation and handling charges and such like. The second factor, which is sixth in his catalogue, is a certain commission to producer, wholesaler and retailer, which he will substitute for profits. And after all that is taken out, we have the unearned increment. That is not what single-taxers would call unearned increment and to me it seems like excess profits, but if Mr. Aberhart insists on calling it unearned increment I shall not object. That is what he plans to furnish the hundreds of millions for basic dividends and the other enormous charges.

Before considering the worth of such a tax I shall make three commonplace observations:

1 If the state is to take the increase—the unearned increment—what about the unearned deficit,

should there be one? Will the state recompense the business which has lost money?

2 In estimating the increment or excess profits, Mr. Aberhart cannot go beyond the province for his levy. He can squeeze nothing from the price of the goods before they reach Alberta.

3 Although Mr. Aberhart said on May 3 that the proposed levy would apply to wheat and such like, on the week following he said that it would not be applied to the primary producers. We must, in fairness, accept his later decision.

Now how much revenue would such a levy yield? No one can make an accurate estimate, but any one can make a fairly good conjecture

Profits are Scarce

The manufacturer, merchant, producer or professional man who has made ordinary profits—not excess profits, or unearned increment, during the last five years in Alberta is the rarest exception. Large industries are

lucky if they pay first mortgage interest.

The manufacturer, business man, producer or professional man, who has been getting by without losses should consider himself lucky—and so he does and so he is.

The manufacturer, business man, producer or professional man who has been meeting operating expenses and nothing else is in the majority.

There is not enough unearned increment in Alberta to yield enough to pay the cost of imposing the tax. To visualize that source of revenue as equal to \$120,000,000 a year is the wildest exaggeration that any sane man ever made and shows a misconception of actual conditions that is startling.

The unearned increment levy could not yield enough for basic dividends for 24 hours and any more generous estimate is a wild, baseless, cruel fantasy.

"Isolating the Province" is the subject of the next article.

ARTICLE XIV

Under the Aberhart plan, Alberta would become an economic alien as surely as if a high and difficult economic wall were built about it, preventing outsiders coming in and insiders going out. If the plan should continue it would eventually become a social alien. Supporters of social credit are already discussing the secession of Alberta from the Dominion.

The isolation of the province at a time when the trend of affairs and the needs of the country demand closer union and greater co-operation is one of the alarming dangers in the present Alberta movement. Although some of Mr. Aberhart's supporters with light hearts and reckless words discuss secession under certain eventualities, I shall not consider any such possibility seriously, but show how the scheme will effect a complete commercial detachment, which some day might develop into a social segregation as well.

1 The present relations of co-operation between the Alberta merchant and his supply house would disappear. With rapid price fluctu-

ation on the one hand, and the crumbling of economic independence of the merchant due to government control and interference on the other, the supply houses could not continue the old relations. In future, business would have to be on a cash basis. Persons unacquainted with ways of business are likely to underestimate the importance of such a change. Alberta would become the only province in which no credit was permitted.

2 Branch houses of Eastern Canadian firms, which have located in large numbers in Alberta, would be unable to continue here because of the unearned increment and other additional taxation. They would be forced to move to adjoining provinces where they would not be subjected to such burdens.

3 Mr. Aberhart has not yet said definitely what he intended to do with the banks, but as he has some plan of provincial banking, he may have some scheme for excluding them, or to put such burdens upon

them that they would be unable to continue.

Many representatives of eastern and foreign concerns, such as insurance agents and other commercial agents, might find obstacles which would make continued residence impossible. Mr. Aberhart has mentioned confiscation of bank deposits and similar action with insurance policies, and although he says little about this plan now, there is no evidence that he has abandoned it. These projects would mean the exodus of a large number of valuable citizens.

4 Capital has already taken fright, as indicated in the drop in the price of Alberta bonds since the campaign became a menace. Alberta securities which should be selling higher than British Columbia and the other prairie provincial bonds, are selling much lower, and for no reason other than that capital dreads the approaching threat. That drop of a few points which is nothing to what may happen, means millions to Alberta.

5 The municipalities of Alberta are suffering from a similar menace. No capital is coming into the province during this confusion, and none will come in while the experiment is being tried. How long Alberta and the various municipalities will be able to keep going under such conditions is a matter of conjecture.

6 The Aberhart plan threatens to impose an import tax on all goods coming into Alberta. Although a tariff of that kind is apparently beyond the powers of a province. Mr. Aberhart is very resourceful in subterfuges, which though violating the

spirit of the constitution may be in obedience to the letter of it. Once he imposes a tax of that nature, whatever he may call it, the province of Alberta will meet with such retaliation from all quarters that it will become completely and effectively isolated.

7 With a new currency, probably having a depreciated value, with a different system of transacting business, a different method of commercial taxation, new and gigantic taxation, and a tariff wall against outsiders, Alberta, to a great extent, will be outside Confederation.

8 There is another point. In this confusion and turmoil, with additional and unheard of taxation proposed and inflation looming on the horizon, no worth while outsider is coming into or is likely to come into the province. Many Albertans of long standing, who happen to be in a position to move without too great sacrifice, are contemplating an exodus if the worst comes to the worst.

It is fair to add that the records of the naturalization offices show on the other hand, that some persons are coming into Alberta to get in on the basic dividends. If such subsidies are ever paid, doubtless similar people will crowd in from all parts of the world. Whether these new-comers will fill the gap and can make up for those forced to go, I am not prepared to say. That is a matter of individual opinion.

I repeat that under the Aberhart plan, Alberta will become an economic alien and eventually a social alien, and already social credit advocates are discussing the wisdom of secession.

In the next article, I shall refer to "The Leader and His Party."

ARTICLE XV

William Alberhart is the manner of man who, equipped with a good cause, would carry it to triumphant success, but weighed with a mistake, in which he had complete faith, would drag the province down to disaster.

He is so much the body and spirit of the present movement that it is essential to know more of him before

deciding on the wisdom of entrusting him with the management of much the biggest business in Western Canada, at the most critical period in the life of the province.

For the last quarter of a century he has been a school teacher in Calgary, for a short time principal of a public school, but for nearly twenty years principal of the Crescent Heights

high school, now the largest school in the entire province. He has been very successful as school principal, not an outstanding teacher, but a competent executive, inspiring loyalty in his staff and respect of pupils. He has shown himself to be resourceful, efficient, determined, strong and resolute. The school has had more than its share of departmental and other successes. It is a very creditable institution, popular among parents and citizens.

During these years Mr. Aberhart's other interest has been in church work. At first he was connected with a small church, either as lay minister or in full charge. This took up most of his spare moments, and he took no part in political, professional or social organizations. His reading was evidently centered on his school and church work. His church activities during these years did not attract very wide attention, and the little church seems not to have expanded.

Radio His Opportunity

With the advent of the radio came the change. With keen insight into the value of this form of propaganda, he was one of the pioneers in broadcasting. By such time he had created what is called the Bible Students' Institute—I am not quite certain of the name—and did his broadcasting under its auspices. His sermons were unusual. They were strongly fundamentalist and of a prophetic nature, interpreting certain less understood references particularly from the Books of Daniel and Revelation in the light of present-day happenings. By the use of charts, which he made, and the interpretation of symbolic language of scripture, he revealed the date of the millenium, and Rapture, the second coming and other such periods, and described in modern terms the Beasts, and the anti-Christ. His methods were prophetic and interpretative, but he was critical of certain long-established religions and most scornful of the claims of modern science, which he condemned with much vigor and no tolerance.

These services on the air attracted attention, and supplied him with a large and loyal following. He succeeded in the difficult task of organizing the unseen audience, collected funds and built a temple for his organization.

Early in the depression—some say when the interest in the church services began to wane—he looked about for more modern subjects. He first rejected socialism as irreligious, and took up social credit. His first sermons on this new topic created attention. Then, with his unusual resource, he proceeded to shape the Douglas system into a provincial measure.

It was not until he announced the \$25 a month that the movement got under way in real force. Up to that time the leader seems not to have had any vision of the immediate developments, or plan to establish a political party. No movement on the prairies has ever developed with such startling rapidity. That is what the province is facing now.

The Aberhart Party

The party is made up of five quite different elements. At the foundation is the religious organization, which casually and confidently speaks of the leader as a prophet, chosen, inspired and directed by God to lead the world out of chaos. In the last number of his own paper it described him as "a real God-fearing he-man," but that reference is common-place compared to the eulogies in the same paper and letters to Alberta newspapers. This element is concerned only incidentally in the political issue, and will follow him anywhere with a frenzy accorded no other public man in the country at any time.

Another element in the party is composed of persons who are anxious to give social credit a trial. This faction is neither large nor certain, for the out-and-out Douglastes are in opposition.

Another element, much more numerous, is composed of persons in despair; without confidence in political parties, who insist that Aberhart can do no worse than the others, so give him a trial.

Another section, and probably the largest, never gets beyond the basic dividends. That is a large, determined and dangerous element, and if Mr. Aberhart ever gets to a place of authority, he will have to face these impatient and intolerant electors who will consider no excuse and bear with no delay.

A fifth element is the more recent

acquisition of many hungry hangers-on, loyal to no party, who swing in when they see signs of possible success. Their support to any party is a liability.

There, in brief outline, is the leader and party which Alberta electors are asked to place in office in the most critical period in the history of the country, to put into operation an untried experiment, involving the province in an expenditure of hundreds of millions—many times as great as ever expended in Alberta before in any one year.

"He is not a politician or a trained statesman, or a man of practical experience in running a country," as his own paper in a late edition says. It

might add: He is without experience in business, with little knowledge of the way business is transacted, and that he is not a student of governments, economics or political history. He has not traveled abroad and knows little of any place but his own province. He has not associated with men of affairs or business, or with any but his assistants, his pupils and his congregation.

His record at every turn shows him to be a successful organizer with narrow experience, resourceful, resolute, determined and intolerant.

In the next article I shall answer three important questions: "Is it Fascism? Is it Confiscatory? Is it the Douglas plan?"

ARTICLE XVI

Reporter—Will everyone receive the basic dividend?

Mr. Aberhart—No. Those who are opposed to the movement and try to get round it will not receive the dividend. We will give a square deal to those that treat us squarely.

The foregoing is the report of an interview given by Mr. Aberhart in Medicine Hat recently. It is the most surprising statement I have known a public man in Canada to make. If a prime minister should suggest that relief assistance should be limited to party supporters or that pensions for soldiers be withheld from party opponents, the Canadian people, regardless of party, would rebel.

The interview was given within the last few days. I repeat it knowing the seriousness of it and am prepared to prove it if Mr. Aberhart should question it. I do not believe he will question it.

Is It Fascism?

I plan to answer three questions often asked during this campaign. Social credits are no part of the policy of Fascism. Mussolini, who is not without statesmanship, early realized the danger of an expanding, inflated and depreciated currency and, soon after assuming power, stabilized the lira and has resisted all manner of pressure toward renewed currency inflation. There is much, however, about the

Aberhart party, its policy, its leader and its methods which point directly toward an attempted and planned dictatorship, as far as such is possible. I shall refer to some of the striking resemblances.

1 The interview with which I began this article shows a ruthless disregard of democratic methods, but reminds one more of Hitler than of Mussolini.

2 The just price with control of prices and interference in the business of merchants and others has its inception in Germany.

3 The plan to fix wages of laboring men, the salaries of professional men, and compensation for services, is in operation both in Italy and Germany, but has not been adopted in any democratic country.

4 Throughout the entire plan, as far as it has been revealed, there is merciless disregard of the individual shown at every stage. If the merchant does not accept the instructions of the administration about price or other details, off will go his head. The despotic iron hand shows itself in many such references. If a man makes a mis-statement about his private affairs he will be sent to jail.

5 The plan for confiscation which the leader seems to be planning, if it can be done, is not democratic.

6 The disregard of the Canadian constitution and the subterfuges to encroach upon the spirit of it have a Nazi flavor.

7 The references which the leader permits his paper to make of his divine inspiration and divine guidance are almost identical with similar references which crowded the Nazi press about Hitler before the latter's advent to power.

8 The leader makes his own program, adopts his own plans and issues his decisions, frequently and apparently always without any conference with his associates.

9 The boycott of newspapers which criticize him or the party is but the forerunner of the suppression of the press, if such a policy were permitted.

10 In Italy there is a parliament of sorts. Previous to an election Fascist organizations are invited to submit a list of candidates. The dictator selects from the list the names to go on the ballot, and the election, such as it is, proceeds. Whether there has ever been anything like that in Alberta I shall leave it to my readers to discover.

Mr. Aberhart is the dictator of the party now, and he will be just as much a dictator, as the constitution will permit, if he should ever get any public office.

Is It Confiscation?

Mr. Aberhart seems bent on going as far toward confiscation as the law allows. He published a pamphlet a few months ago and then spoke of taking the money from the banks, trust companies and perhaps would force citizens "to transfer such surrender value of life insurance policies or other documents which produce money." He has said less about that phase of the plan recently, but there is no indication that he has abandoned it.

In the interview in Medicine Hat, already referred to, he was asked; "If a person is a little leery about social credit and proceeds to transfer his money to Ontario, how do you propose to deal with him?"

Mr. Aberhart—If they do that they are not loyal to the system, and if so they will not receive the basic dividends. If a person of some wealth withdraws his money from Alberta and transfers it to some bank in Ontario, he will be questioned fairly and squarely, and if it is found that it was put there for some good cause, then it will be tolerated. But if a man says, "I have no money and I am broke," and I know he has wealth, he will be thrown into jail for false oath.

That is a rare picture of Mr. Aberhart in authority. If the province can confiscate, he will do it.

Is It the Douglas Plan?

Apart from the confusing terminology common to both plans, there is little similarity. I doubt if Major Douglas would limit social credits to the men and women who support his project.

The Douglas plan aims to establish a just price, which will be much less than the cost price and then recompense the vendors for the margin, by supplying them with credits and in that way increase "the flow of purchasing power." The basic dividend, with him, is only an incidental part in the scheme and he does not often refer to it.

Mr. Aberhart has a just price, in order to squeeze from it what he describes an unearned increment—a term not used by Douglas—with which he would pay basic dividends which are essential to his program. If this unearned increment is not sufficient for that purpose—and it would not realize 1 per cent of the necessary amount—the government would place in the just price some sort of sales tax to be paid by the consumers, if that is legal. As a matter of fact, under the Aberhart plan, there would be no increase "in the flow of purchasing power," which is essential to the Douglas plan, but in its place merely a clumsy and expensive transfer of money from one pocket to the other.

The Aberhart plan would put the Douglas plan to an impossible test and one which it could not bear.

In the next article I shall discuss "The Immediate Danger."

ARTICLE XVII

If any person reading these articles believes that William Aberhart has organized a political party, with a sensational slogan, which has carried many good Albertans off their feet, merely to get himself into the centre of the stage, or even to sweep into office, he should abandon the idea for there is nothing further from the truth. If any one has an idea that after reaching office, he would quickly shed the more extravagant and impractical parts of his program, that person is also very wrong. If any party leader has any hope that the social credit party with a band of elected members—not a majority say, but a group—would make a worthwhile ally in the general mix-up that may follow an election, he would be well advised to abandon the dream.

Mr Aberhart is resolute determined and inflexible and will fight unswervingly and without compromise for that program, such as it is, caring not a brass farthing for parties, groups, associations or alliances. If he should be placed in office he will move forwards the goal without regard for cost or consequences to province or people. If he should hold the balance of power in a much divided house, he will see to it that the party that rules will accept his mandates, with perpetual turmoil and confusion as an alternative. It would be the alliance of the Nazis and the German Nationalists over again.

I make these statements of fact before referring to some reasons why some Albertans are supporting the Aberhart candidates

"Let him have a chance, he cannot do so very much harm. He is a godly man," one says "If he can get us that \$25 a month, that will surely help. If he cannot do it we shall be no worse off than before." "I am tired of political parties. You say he cannot do anything because of the constitution. He cannot do anything very desperate without bumping into the constitution, which will hold him up, so why not take a chance? It cannot be so very desperate."

What May Be Expected

In reply to these people I shall make four observations.

1 Alberta has already suffered considerable loss by the threat of the coming of the Aberhart party. Bonds have fallen several points which is a misfortune, not so much for the bondholders as for the province. People are withdrawing their money from Alberta banks. They are selling property and not re-investing. Manufacturers or capitalists with money to invest are delaying until the decision is reached. Those are the mild indications when the storm cloud is far off.

2 If Alberta were electing Mr. Aberhart merely to make the experiment, though unwise, that might not necessarily be disastrous. If the voters elect sufficient supporters to put him in office no power can prevent him and them from taking full control and holding it for the next five years. There is no recall.

3 What is very alarming is that at the time when efforts should be made to balance the Alberta budget, Mr. Aberhart and his supporters are sweeping along with a program of extravagance and recklessness which is enough to take away the breath. I am not referring now to the millions and millions for the basic dividends, but to the preliminaries before anything whatever is done. Here is what he plans to do at the very beginning: (I) Take a complete census, among other things to pry into "financial standing of private citizens." Census taking is the responsibility of the Dominion and would involve about \$250,000. (II) Commission of constitutional lawyers to formulate the act. (III) Commission of experts to fix just price, fix wages etc. (IV) Establishment of credit house, with many branches in large cities and smaller branches throughout the province. (V) School for educating officials.

That would likely involve an expenditure of \$1,000,000 before a wheel turned or the act framed, and before he knows whether he can legally do anything he is attempting.

Wild Experiment

4 He will then embark on a program of expenditure the like of which has never been undertaken in any other province or in any state in North America. I do not believe that he will be able to issue money but he plans a clumsy subterfuge in his non-negotiable certificates which will have somewhat similar results in the matter of inflation.

He may not be able to impose an import tax as he threatens, but he will go so far as to excite retaliation from other provinces and destroy the markets of Alberta manufacturers and producers.

He may not be able to organize the just price as he plans, but he can create such chaos among the busi-

ness men that it will take years to emerge from the confusion.

He may not be able to fix the rate of wages, but he will make enough of an effort to create turmoil among working men and endless strikes.

He will probably be unable to pay one basic dividend, but before he gets to that point he can load upon the province such additional debt as will keep it under for a generation.

The selection of that party would be a reckless experiment involving the province in millions, even if the people never got any further than to learn that all the fantastic promises could not be carried out. This period would not be an experimental interlude, or a blank, but a serious reaction and a costly mistake.

ARTICLE XVIII

If you were a passenger among a bus load of people, traveling through the more dangerous part of a mountain journey, and a fellow traveller insisted that he should take charge of the omnibus because he wanted to test an experiment, you would not likely warm to the suggestion. If he added that he had no knowledge of motoring, had never driven a car and did not know the route, you would not be enthusiastic about his proposal. If he added further, that the experiment, the details of which he declined to reveal, really was to drive over precipices to cut down distances, you might decide that the time for action had come.

In the preceding articles I have examined the different phases of the Aberhart plan with sufficient thoroughness to enable use to reach an unprejudiced judgment on the facts.

Let us reconsider the essentials of the plan, eliminating all unnecessary associations and confusing terminology.

(1) Mr. Aberhart proposes that the province give each adult person \$25 a month, for all time—a total expenditure of \$120,000,000 a year for ever and ever. The fact that he would pay these subsidies in non-negotiable certificates makes the transaction clumsier, but otherwise does not alter the situation.

(2) He plans to raise this enormous sum by creating what he calls the just price, which means government fixing of prices and other revolutionary changes in the way business is transacted.

(3) By means of this just price he proposes to squeeze from every purchase or sale made in the province what he calls unearned increment—excess profits—which he will use towards supplying the basic dividends. I have shown clearly that the unearned increment for a year would not yield enough to supply basic dividends for 24 hours.

(4) To raise enough money for the basic dividends for the remain-

ing 364 days, he plans the following impositions:

(I) A sales tax on the consumer under some name or form.

(II) Tax on producers — levy on farmers' wheat, or coal, or oil or power.

(III) Import tax on everything coming into the province.

One cannot fail to notice two things:

(1) The people who are to receive the basic dividends are the very same people who will be taxed, as consumers, producers and importers.

(2) That the plan does not increase the goods to be distributed; increase the money to be circulated; or make a more equitable or juster distribution of either the money or goods among the people.

Fantasy and Folly

That, essentially, is the entire story, and nothing further is needed to describe it as a fantasy and a folly. In order to raise \$120,000,000 a year to be shared by every person, the province at additional expense, with added turmoil in industry, is to tax the same people to the extent of the same \$120,000,000.

There is something more dangerous

than that. The plan is merely a greatly added expense, with confusion in business, if the experiment goes as well as the promoters expect. But everything will and cannot go right, because among other things:

It is unconstitutional in spirit, and in many respects in letter.

It will lead to inflation.

Price fixing will lead to trouble of merchants.

Wage fixing will cause confusion and labor turmoil.

Government interference in industry means trouble.

Import tax would lead to retaliation and in end destruction of manufacturing.

The plan would lead to isolation of the province.

It would develop into favoritism and would throw the government of the province wide open for dishonesty and corruption.

Taking the experiment at its best, eliminating in some miraculous manner the certain dangers, all that is left is a plan for taking from one pocket and with much effort, expense, turmoil, confusion and peril transferring what is left to the other pocket.

SUPPLEMENTARY

Since I concluded a series of articles on the "Aberhart Plan" Major Douglas has made his interim report with supplementary letters to members of the Alberta Government, repudiating the Aberhart scheme, and Mr. Aberhart has published his "Social Credit Manual".

As the Douglas report and letters have been published in many Alberta newspapers, I need make little reference to them, further than to repeat that the repudiation is definite complete and decisive. Instead of increasing purchasing power, which is the goal of all Social Creditors, the Aberhart plan, according to Major Douglas,

"decreases purchasing power. "That is the essence of it The Aberhart plan is really an anti-Social Credit Plan. He adds further that Mr Aberhart makes an incorrect use of the term "Just Price" and has not grasped certain essential principles of the Douglas plan.

SIXTY FIVE CENT A BUSHEL

TAX ON ALBERTA WHEAT

If any one but Mr. Aberhart himself were to say that the Aberhart plan involved a tax — or levy — of sixty-five cents a bushel on Alberta wheat few sane electors would accept the statement without more definite proof. Thus amazing estimate appears on

pages 27 and 28 of the Aberhart booklet and is as convincing a reason why the plan cannot be entertained as any that can be produced. If Alberta electors, wheat growers and others once get in their minds the fact that on wheat alone an imposition of 65 cents a bushel will be made, there would be little need of going further.

Mr. Aberhart explains that he would make a direct charge or tax upon the farmer of five cents a bushel at the outset, paying him 55 cents a bushel instead of 60 cents, and then by following the wheat through the different phases, taxing it at every stage until it became bread FROM A BUSHEL OF WHEAT, PROCESSING IT TO FLOUR, THE GOVERNMENT WOULD BE ABLE TO COLLECT SIXTY-FIVE CENTS.

A tax of 65 cents a bushel on the most essential commodity that we eat is an appalling one—think of it 118 per cent. It would mean doubling the price of the raw material in a loaf of bread. Increases in other respects and on other goods would be in the same proportion.

As we consume in Alberta about 2,000,000 bushels of wheat a year—I am not definite as to the figures—this enormous levy, the greatest ever heard of or dreamt of, would yield \$1,300,000 a year or sufficient for Basic Dividends for less than four days.

This illustrates better than anything I have come upon yet the hopeless folly of the entire plan. A tax of 118 per cent upon wheat, the basic industry of the province, the very existence of the people, is difficult to contemplate.

Everything an Albertan bought or sold would be taxed, without doubt in the same manner and probably in the same proportion. How far could basic dividends go under such conditions? And even with such impossible impositions, the Dividends could not be raised.

THE WILDEST FALLACY IN THE ENTIRE ABERHART CATEGORY.

For some time I have been searching industriously to find the fantasy which has led Mr. Aberhart so far from the paths of correct thinking. I have now discovered it, in The Aberhart Manual On page 31 Mr. Aberhart concludes that "if the circulation (paymer) of basic dividends was only once a month, we would have to recover ten millions only, to carry on the full issuance on the basic dividends as long as they remained at \$25 a month . . . If the cycle was once a month, ten million dollars worth of credit would handle it all' . . . "If it was twice a month" he adds "five million dollars worth of credit would handle it."

Let us follow this amazing calculation to the conclusion. If payment is made once a month only \$10,000,000 will be necessary to supply the people with \$120,000,000 in one year. If payment were made twice a month then only \$5,000,000 would be needed to supply \$120,000,000 a year or \$240,000,000 for two years. If payment were made every week then only \$2,500,000 would be needed to supply \$120,000,000 for a year or \$1,200,000,000 for ten years. If the "cycle" could be reduced to hourly payments then the province would need to raise no more than \$300,000 "to handle" the basic dividends of \$120,000,000 a year or \$12,000,000,000 for the next hundred years.

Following this to the very end, we would have Mr. Aberhart with a dollar bill supplying all the people of Alberta with all the goods in the world for ever and ever to eternity. All that might prevent or limit this greatest of all miracles would be the difficulty of moving the dollar bill with sufficient rapidity.

Now that does not seem to make sense and for the very good reason that there is no sense to it. It is nonsense. It is an absurdity. Major

Douglas detected it and exposed it in one of his letters.

The Government of Alberta could no more finance an annual expenditure of \$120,000,000 to continue forever on an advance of \$10,000,000 than any Alberta elector could supply himself with an annuity of \$1200 a year for the rest of his life, on an advance of \$100. The only way the government could do anything like that would be by securing goods that were never consumed and never depreciated and requiring dividend receivers to bring last month's goods to exchange for the new dividend.

Few Albertans are so dense that they cannot recognize this absurd fallacy. Upon nothing more substantial is this will-o-the-wisp created.

REPEATING A MISSTATEMENT

There is little else in the manual to which I have not referred in preceding articles

I note with some surprise that despite all the evidence and opinions of the most learned lawyers of the province and outside of the province, to the contrary, Mr. Aberhart repeats that the province has the right to levy taxes upon imports and exports and is so doing at the present time. The province has no such power and is exerting no such power. That is not merely my opinion but the plain judgment of everyone, who has considered the question except Mr. Aberhart. It is astonishing that he, a layman, insists on reiterating this misstatement and

does so without quoting an authority or the slightest vestige of proof.

THE FASCIST TOUCH

I am informed that in a recent radio broadcast Mr. Aberhart questioned his Medicine Hat interview, which I quoted, in which he said that "those who are opposed to the Movement and try to get round it will not receive Basic Dividends. If necessary I am prepared to get affidavits from the reporter to whom Mr. Aberhart gave the interview and from the stenographer who took down the statement in short hand. In the Manual, however, he says on page 47 "If a person does not wish to join with the Social Credit idea, in the first place, he would not receive the monthly dividends"

There is not a wide difference between the two statements. There is no difference between "those who are opposed to the movement and try to get round it" and "those who do not wish to join with the Social Credit idea" and do not get the dividends. The serious part is that under the Aberhart plan Mr. Aberhart would have the say as to who would get and who would not get the dividends and the getting or not getting would depend on the citizen's attitude to the Aberhart Plan and that might and quite reasonably would be interpreted to mean whether or not he supported Aberhart candidates.

That is Fascism in spirit and in fact, and it is alarming.

THE HERALD, HANNA, ALBERTA
